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Policy

SEC's Binance.US Probe Started in 2020, Court Filings Show

The securities regulator detailed evidence of hundreds of millions of dollars in profiteering by the crypto exchange as it seeks to freeze company assets.

By Jack Schickler

🕒 Jun 7, 2023 at 12:44 a.m. PDT

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The U.S. Securities and Exchange Commission (SEC) has been investigating Binance.US since at least 2020, court filings published late Tuesday show.

In the filings, the regulator detailed evidence hundreds of millions of dollars in profiteering by the crypto exchange.

The SEC on Monday sued Binance's U.S. and global entities, alongside its CEO Changpeng "CZ" Zhao, alleging that they had operated unregistered securities exchange by allowing people to trade crypto. The regulator has since sought to freeze Binance.US assets.

The agency internally ordered the investigation and designated officials to take testimony on August 17, 2020, said a court filing by SEC lawyer Colby Steele.

"The investigation concerned, among other things, possible violations of the federal securities laws by BAM Trading Services Inc," Steele said, citing the company which does business as Binance.US.

A further filing by SEC accountant Sachin Verma said BAM Trading had generated \$411 million in revenue for a period covering slightly over four years, a period in which he also calculated \$225 million in gross profit. As it is not listed on a stock market the company has usually maintained relative secrecy over its financial affairs.

In a statement tweeted on Monday, Binance.US said it had engaged with the SEC in good faith for nearly two and a half years, but added that the lawsuit was “baseless... unjustified by the facts, by the law, or by the Commission’s own precedent.”

Read more: *One-Two Punch Finally Registers SEC View on Binance, Coinbase, Rest of Crypto*

Edited by Parikshit Mishra.

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- [Ethereum’s Shanghai Upgrade Will Permanently Alter ETH Economics](#)
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Jack Schickler

Jack Schickler is a CoinDesk reporter focused on crypto regulations, based in Brussels, Belgium. He doesn't own any crypto.

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English



EXHIBIT 2

Press Release

SEC Files 13 Charges Against Binance Entities and Founder Changpeng Zhao

Charges include operating unregistered exchanges, broker-dealers, and clearing agencies; misrepresenting trading controls and oversight on the Binance.US platform; and the unregistered offer and sale of securities.

FOR IMMEDIATE RELEASE

2023-101

Washington D.C., June 5, 2023 — The Securities and Exchange Commission today charged Binance Holdings Ltd. (“Binance”), which operates the largest crypto asset trading platform in the world, Binance.com; U.S.-based affiliate, BAM Trading Services Inc. (“BAM Trading”), which, together with Binance, operates the crypto asset trading platform, Binance.US; and their founder, Changpeng Zhao, with a variety of securities law violations.

Among other things, the SEC alleges that, while Zhao and Binance publicly claimed that U.S. customers were restricted from transacting on Binance.com, Zhao and Binance in reality subverted their own controls to secretly allow high-value U.S. customers to continue trading on the Binance.com platform. Further, the SEC alleges that, while Zhao and Binance publicly claimed that Binance.US was created as a separate, independent trading platform for U.S. investors, Zhao and Binance secretly controlled the Binance.US platform’s operations behind the scenes.

The SEC also alleges that Zhao and Binance exercise control of the platforms’ customers’ assets, permitting them to commingle customer assets or divert customer assets as they please, including to an entity Zhao owned and controlled called Sigma Chain. The SEC’s complaint further alleges that BAM Trading and BAM Management US Holdings, Inc. (“BAM Management”) misled investors about non-existent trading controls over the Binance.US platform, while Sigma Chain engaged in manipulative trading that artificially inflated the platform’s trading volume. Further, the Complaint alleges that the defendants concealed the fact that it was commingling billions of dollars of investor assets and sending them to a third party, Merit Peak Limited, that is also owned by Zhao.

The Complaint also charges violations of critical registration-related provisions of the federal securities laws:

- Binance and BAM Trading with operating unregistered national securities exchanges, broker-dealers, and clearing agencies;
- Binance and BAM Trading with the unregistered offer and sale of Binance’s own crypto assets, including a so-called exchange token, BNB, a so-called stablecoin, Binance USD (BUSD), certain crypto-lending products, and a staking-as-a-service program; and
- Zhao as a control person for Binance’s and BAM Trading’s operation of unregistered national securities exchanges, broker-dealers, and clearing agencies.

“Through thirteen charges, we allege that Zhao and Binance entities engaged in an extensive web of deception, conflicts of interest, lack of disclosure, and calculated evasion of the law,” said SEC Chair Gary Gensler. “As alleged, Zhao and Binance misled investors about their risk controls and corrupted trading volumes while actively concealing who was operating the platform, the manipulative trading of its affiliated market maker, and even where and with whom investor funds and crypto assets were custodied. They attempted to evade U.S. securities laws by announcing sham controls that they disregarded behind the scenes so that they could keep high-value U.S. customers on their platforms. The public should beware of investing any of their hard-earned assets with or on these unlawful platforms.”

“We allege that Zhao and the Binance entities not only knew the rules of the road, but they also consciously chose to evade them and put their customers and investors at risk – all in an effort to maximize their own profits,” said Gurbir S. Grewal, Director of the SEC’s Division of Enforcement. “By engaging in multiple unregistered offerings and also failing to register while at the same time combining the functions of exchanges, brokers, dealers, and clearing agencies, the Binance platforms under Zhao’s control imposed outsized risks and conflicts of interest on investors. Those risks and conflicts are only heightened by the Binance platforms’ lack of transparency, reliance on related-party transactions, and lies about controls to prevent manipulative trading. Despite their years-long efforts to not ‘be held accountable,’ today’s complaint begins the process of doing so.”

UNREGISTERED EXCHANGE, BROKER, AND CLEARING AGENCY

The SEC’s complaint, filed in the U.S. District Court for the District of Columbia, alleges that, since at least July 2017, Binance.com and Binance.US, while controlled by Zhao, operated as exchanges, brokers, dealers, and clearing agencies and earned at least \$11.6 billion in revenue from, among other things, transaction fees from U.S. customers. The SEC’s complaint alleges that (1) with respect to Binance.com, Binance should have registered as an exchange, broker-dealer, and clearing agency; (2) with respect to Binance.US, Binance and BAM Trading should have registered as an exchange and as clearing agencies; and (3) BAM Trading should have registered as a broker-dealer. The SEC also alleges that Zhao is liable as a control person for Binance’s and BAM Trading’s respective registration violations.

UNREGISTERED OFFER AND SALE OF CRYPTO ASSETS

The SEC charged Binance for the unregistered offers and sales of BNB, BUSD, and crypto-lending products known as “Simple Earn” and “BNB Vault.” Further, the SEC charged BAM Trading with the unregistered offer and sale of Binance.US’ staking-as-a-service program. The complaint also notes that Binance secretly has control over assets staked by U.S. customers in BAM’s staking program.

FAILURE TO RESTRICT U.S. INVESTORS FROM ACCESSING BINANCE.COM

The SEC’s complaint alleges that Zhao and Binance created BAM Management and BAM Trading in September 2019 as part of an elaborate scheme to evade U.S. federal securities laws by claiming that BAM Trading operated the Binance.US platform independently and that U.S. customers were not able to use the Binance.com platform. The complaint alleges that, in reality, Zhao and Binance maintained substantial involvement and control of the U.S. entity and that, behind the scenes, Zhao directed Binance to allow and conceal many high-value U.S. customers’ continued access to Binance.com. In one instance, the Binance chief compliance officer messaged a colleague that, “[w]e are operating as a fking unlicensed securities exchange in the USA bro.”

MISLEADING INVESTORS

According to the SEC’s complaint, BAM Trading and BAM Management misled Binance.US customers and equity investors concerning the existence and adequacy of market surveillance and controls to detect and prevent manipulative trading on the Binance.US platform’s crypto asset trading volumes. The complaint further alleges that the strategic and targeted wash trading largely perpetrated by the Binance.US platform’s primary undisclosed “market making” trading firm Sigma Chain, also owned by Zhao, demonstrates the falsity of statements BAM Trading made about its market surveillance and controls.

The SEC's investigation into the violations with respect to the Binance.US platform was conducted by Kathleen Hitchins, Ann Rosenfield, and Colby Steele, with the assistance of Ainsley Kerr, John Marino, and Donald Battle and the supervision of Paul Kim. The investigation into the violations with respect to the Binance.com platform was conducted by Michael Baker, Donna K. Norman, and Martin Zerwitz, with the assistance of Sachin Verma and Alexander Lefferts and the supervision of Deborah A. Tarasevich. Both matters were overseen by Jorge G. Tenreiro and David Hirsch of the SEC's Crypto Assets and Cyber Unit. The litigation is being led by Matthew Scarlato, Jennifer Farer, and J. Emmett Murphy, with the assistance of Hope Hall Augustini, and under the supervision of David Nasse, Olivia Choe, and Mr. Tenreiro.

###

Related Materials

- SEC Complaint

EXHIBIT 3

CELEBRITIES

Crypto war: Sam Bankman-Fried's feud with Changpeng Zhao explained – the ex-FTX CEO's fallout with the Binance tycoon caused a multibillion-dollar crisis and has seen his net worth drop by 94 per cent

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In a clash between FTX's Sam Bankman-Fried and Binance's CEO Changpeng Zhao, Zhao won – but "SBF" doesn't seem as bothered as you'd think. Photos: AFP, Bloomberg

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+ Bankman-Fried, known for enjoying beanbag power naps in his office, now faces a slew of investigations into misuse of customer funds – but said 'it could be worse'

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Sam Bankman-Fried regrets the feud that may have cost him his crypto empire.

The former FTX CEO said that criticising Binance CEO Changpeng Zhao, known as "CZ", "was not a good strategic move on my part", in an interview with The New York Times on Sunday, November 13.

The clash between the two is key to understanding one of the most dramatic collapses ever in the crypto world. [Let's take a closer look.](#)

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How the feud between Changpeng Zhao and Sam Bankman-Fried started



Binance's Changpeng Zhao was not a fan of Sam Bankman-Fried's constant lobbying for regulation of their industry.
Photo: Reuters

Zhao and Bankman-Fried started friendly: Binance, a rival cryptocurrency exchange, invested in FTX in 2019. However, the relationship soured when Bankman-Fried, 30, pushed for regulation of the crypto industry, something Zhao, 45, opposes.



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China's largest e-commerce giant Alibaba Group has announced that it will be launching a new initiative to support the development of the digital economy in the country.

The company said that it will be investing in a number of key areas, including artificial intelligence, cloud computing, and e-commerce.



The World's Largest
Junk-Seller Company

How the feud between Changpeng Zhao and Sam Bankman-Fried started

By Michael S. Rothblatt, a former partner at the law firm of Skadden, Arps, Slate, Meagher & Lomax LLP, and a former partner at the law firm of Skadden, Arps, Slate, Meagher & Lomax LLP.

The feud between Changpeng Zhao and Sam Bankman-Fried started in 2017, when Bankman-Fried was the CEO of FTX, a cryptocurrency exchange.

How the feud between Changpeng Zhao and Sam Bankman-Fried started



Changpeng Zhao, CEO of Binance, standing in front of a Binance banner.

Bankman-Fried was a former partner at the law firm of Skadden, Arps, Slate, Meagher & Lomax LLP, and a former partner at the law firm of Skadden, Arps, Slate, Meagher & Lomax LLP.

Bankman-Fried was a former partner at the law firm of Skadden, Arps, Slate, Meagher & Lomax LLP, and a former partner at the law firm of Skadden, Arps, Slate, Meagher & Lomax LLP.

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Bankman-Fried's not too bothered ...



... but FTX executives are facing several investigations





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Crypto war: Sam Bankman-Fried's feud with Changpeng Zhao explained – the ex-FTX CEO's fallout with the Binance tycoon caused a multibillion-dollar crisis and has seen his net worth drop by 94 per cent

STORY

AGENCIES

Nov 17 , 2022

In a clash between FTX's Sam Bankman-Fried and Binance's CEO Changpeng Zhao, Zhao won – but "SBF" doesn't seem as bothered as you'd think. Photos: AFP, Bloomberg

Sam Bankman-Fried regrets the feud that may have cost him his crypto empire.

The former FTX CEO said that criticising Binance CEO Changpeng Zhao, known as "CZ", "was not a good strategic move on my part", in an interview with The New York Times on Sunday, November 13.

The clash between the two is key to understanding one of the most dramatic collapses ever in the crypto world. Let's take a closer look ...

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06:14

How the feud between Changpeng Zhao and Sam Bankman-Fried started

Binance's Changpeng Zhao was not a fan of Sam Bankman-Fried's constant lobbying for regulation of their industry. Photo: Reuters

Binance's Changpeng Zhao was not a fan of Sam Bankman-Fried's constant lobbying for regulation of their industry. Photo: Reuters

Zhao and Bankman-Fried started friendly: Binance, a rival cryptocurrency exchange, invested in FTX in 2019. However, the relationship soured when Bankman-Fried, 30, pushed for regulation of the crypto industry, something Zhao, 45, opposes.

The New York Times reported that Bankman-Fried used his growing influence in Washington DC to criticise Zhao in private meetings.

“I was pretty frustrated at a lot of what I saw happening, but I should’ve understood that it was not a good decision of me to express that,” Bankman-Fried told The New York Times.

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Sam Bankman-Fried used his growing influence in Washington DC to criticise rival Changpeng Zhao in private meetings. Photo: Getty Images/TNS

Sam Bankman-Fried used his growing influence in Washington DC to criticise rival Changpeng Zhao in private meetings. Photo: Getty Images/TNS

The dispute between the two billionaires came to a head in early November when Zhao announced that Binance would sell all of its FTT holdings, a cryptocurrency created by FTX.

“We gave support before, but we won’t pretend to make love after divorce ... we won’t support people who lobby against other industry players behind their backs,” Zhao tweeted.

MILLIONAIRES AND BILLIONAIRES

How Chinese crypto king Changpeng Zhao lost US\$77.5 billion

Changpeng Zhao, founder and chief executive officer of Binance, pictured here at the Viva Technology conference in Paris, France, on June 16, recently commented in an interview that he doesn’t “really care much about money”. Photo: Reuters

Their fallout caused a multibillion-dollar crisis

Changpeng Zhao, Binance’s CEO, initially agreed to buy FTX to save the company, but later pulled out. Photo: Reuters

Changpeng Zhao, Binance’s CEO, initially agreed to buy FTX to save the company, but later pulled out. Photo: Reuters

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Zhao’s move spooked the market, causing investors to flood FTX with requests to pull their funds, causing a multibillion-dollar liquidity crisis.

Binance initially agreed to buy FTX to save it from a dire financial situation but later called off the deal.

“I shouldn’t throw stones in a glass house, so I’ll hold back a bit,” Bankman-Fried told employees, according to The New York Times. “Except to say: probably they never really planned to go through with the deal.”

Signage for the FTX Arena in Florida. many now fear the repercussions of the company’s collapse.
AP

Signage for the FTX Arena in Florida. many now fear the repercussions of the company’s collapse.
AP

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FTX unsuccessfully attempted to find other investors, eventually filing for bankruptcy on November 11. At its peak, according to CNBC, the cryptocurrency exchange was worth US\$32 billion.

Bankman-Fried’s not too bothered ...

Sam Bankman-Fried is known for his huge curly hair, philanthropic motives and laid back attitude.
Photo: AFP

Sam Bankman-Fried is known for his huge curly hair, philanthropic motives and laid back attitude.
Photo: AFP

Even though Bankman-Fried saw 94 per cent of his wealth evaporate in the span of a few hours, the disgraced former darling of the crypto world has apparently not lost any shut-eye over the collapse of his empire.

Sam Bankman-Fried during happier times when his FTX cryptocurrency exchange was thriving.
Photo: @FTX_Official/Twitter

Sam Bankman-Fried during happier times when his FTX cryptocurrency exchange was thriving.
Photo: @FTX_Official/Twitter

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“You would’ve thought that I’d be getting no sleep right now, and instead, I’m getting some,” Bankman-Fried said in his interview with The New York Times three days after the filing.

... but FTX executives are facing several investigations

Sam Bankman-Fried, once considered a star in the cryptocurrency world, resigned after his firm started to collapse. Photo: AFP

Sam Bankman-Fried, once considered a star in the cryptocurrency world, resigned after his firm started to collapse. Photo: AFP

Bankman-Fried and other FTX executives are now facing several investigations in the US and the Bahamas for allegedly improperly using billions of dollars of FTX customer money to fund Bankman-Fried's trading firm, Alameda Research.

But his response to The New York Times? "It could be worse," Bankman-Fried told them.

EXHIBIT 4



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Binance Market Share Only Goes Up After FTX

Despite US regulators gobbling its branded stablecoin, Binance still handles more volume than any other crypto exchange

BY SEBASTIAN SINCLAIR / MARCH 9, 2023 03:58 AM



Binance CEO Changpeng Zhao | Blockworks exclusive art by Axel Rangel

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Binance makes up more of the crypto derivatives market than ever, thanks to a four-month hot streak following the collapse of rival FTX.

Binance was responsible for 61.8% of global spot trade last month, up 2.4%, after it recorded \$540 billion in total volume, according to a report by [CryptoCompare](#).

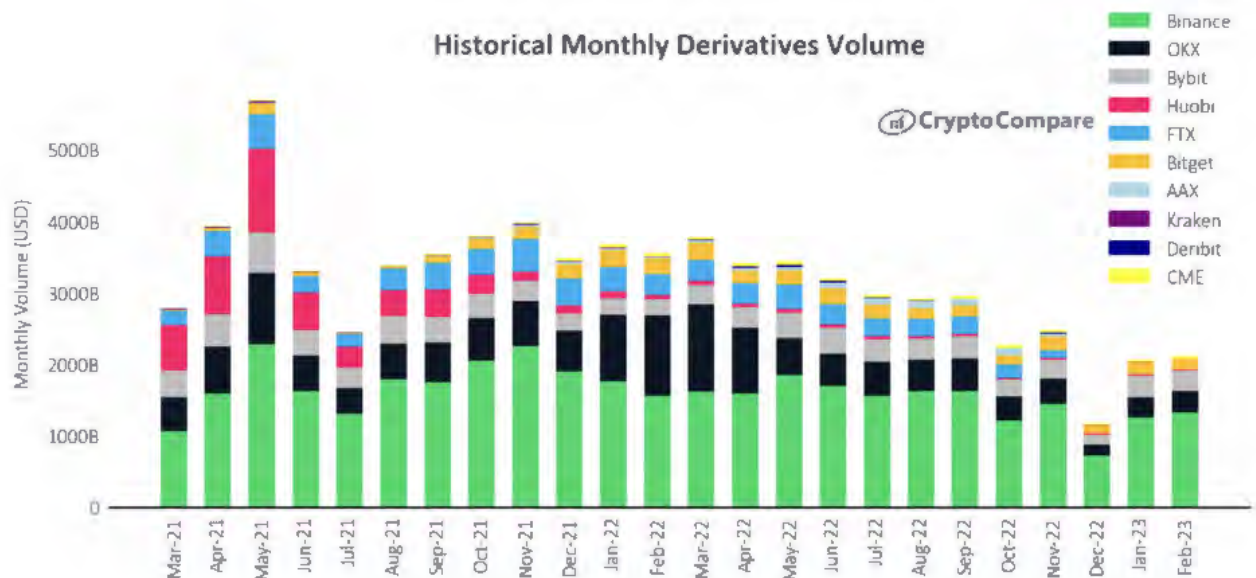
Spot volumes for Coinbase, Bitfinex and Bitstamp all saw a monthly decline in February.

Binance also topped derivatives volumes with 63% — its highest market share on record. The exchange clocked \$1.32 trillion in derivatives volumes in February, up more than 5% on January's figures, and now far ahead of Bybit and OKX.

All while Binance suffers what could be the beginning of the end for its branded stablecoin [BUSD](#). The SEC issued its issuer Paxos a Wells Notice last month, effectively flagging intent to sue over potential securities law violations.

New York-headquartered Paxos quickly announced it would [stop minting new tokens](#). Customers have since redeemed billions in BUSD for cash.

Still, BUSD remains the second-most used stablecoin or fiat pair across centralized exchanges, with 23.1%, per CryptoCompare. Tether's USDT is far ahead with 72%.



Derivatives volumes are still mostly green (which means Binance) | [source](#)

"USDT proved to be the largest winner [of the Paxos situation] as its BTC trading volumes in February rose 6.66% to 11.2 million BTC month-on-month," CryptoCompare said.

Both BUSD and USDC, on the other hand, saw declines in their BTC trading volumes.

Spot markets overall have witnessed an increase in trading activity in recent months, spurred by comparatively cheap crypto prices. More favorable macro conditions have also helped, CryptoCompare said, especially compared to this time last year.

In February, total spot trading volumes increased 10% to \$946 billion, the second consecutive month of rising volumes. But they remain at “historically low levels.”

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📅 MON - WED, MARCH 18 - 20, 2024

Digital Asset Summit (DAS) is returning March 2024. This year's event will be held in our nation's capital, where industry leaders, policymakers, and institutional experts will come together to discuss the latest developments and challenges in the ever-evolving world of cryptocurrency. [...]

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Permissionless II

📅 MON - WED, SEPT. 11 - 13, 2023

Permissionless II is the world's largest DeFi event. Join 7000+ crypto enthusiasts and builders September 11-13th in Austin, TX. This 3 day experience is filled with keynotes from Web3 leaders and thoughtfully curated panels, networking events, unforgettable parties, activations, and so [...]

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Sommelier Finance: YieldGPT

Sommelier is a decentralized asset management PoS appchain built with the Cosmos SDK that provides strategists with the tools required to deploy dynamic yield strategies.

BY [EFFORTCAPITAL](#) / 6 DAYS AGO

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DEFI

'Blast radius' of new users joining Solana DeFi for the points, liquidity is 'snowballing'

The purpose of point systems is to bootstrap activity, but it's also important to consider the long-term effects of such an incentive structure

BY DARREN KLEINE / JULY 20, 2023



DEFI

Ethereum rivals are 'dead on arrival,' says Cumberland's Van Bourg

"What computational ability is possible on Solana that isn't possible on Arbitrum or Optimism at this point?" Jonah Van Bourg asks

BY DARREN KLEINE / JULY 20, 2023



POLICY

SEC in hot water after Ripple ruling, former agency attorney says

Although other federal district judges are not obligated to follow Judge Torres' ruling, the opinion should still hold weight, Christian Schultz said

BY CASEY WAGNER / JULY 20, 2023



PEOPLE

Stop worrying about Gensler's crypto crusade and focus on bitcoin: Novogratz

Galaxy Digital's CEO joined CNBC's Squawk Box Thursday morning to discuss the artificial intelligence bubble, government spending and the state of crypto regulation in the US

BY JAMES CIRRONE / JULY 20, 2023



POLICY



FINANCE

Crypto industry is ‘afraid to celebrate’ Ripple’s ‘giant win’ over the SEC

“Right now, what we have is a decision from a federal district court that says the law is what the industry has been saying the law is for years”

BY DARREN KLEINE / JULY 20, 2023

Eaglebrook CEO: Bitcoin ETF would send crypto SMAs ‘into hyperdrive’

Some advisors would “dip their toes” into crypto via a bitcoin ETF, if approved, before moving on to multi-asset, risk-managed strategies found in the SMA wrapper, execs predict

BY BEN STRACK / JULY 20, 2023

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EXHIBIT 5

FTX



FTX Trading Ltd., commonly known as **FTX** (short for "Futures Exchange"),^[5] is a bankrupt company that formerly operated a cryptocurrency exchange and crypto hedge fund.^{[6][7]} The exchange was founded in 2019 by Sam Bankman-Fried and Gary Wang and, at its peak in July 2021, had over one million users and was the third-largest cryptocurrency exchange by volume.^{[8][9]} FTX is incorporated in Antigua and Barbuda and headquartered in the Bahamas.^[10] FTX is closely associated with **FTX.US**, a separate exchange available to US residents.^[11]


Since November 11, 2022, FTX has been in Chapter 11 bankruptcy proceedings in the US court system.^{[12][13][14][15]} Public concern began when a November 2022 *CoinDesk* article stated that FTX's partner firm Alameda Research held a significant portion of its assets in FTX's native token (FTT).^{[16][17]} Following this revelation, rival exchange Binance's CEO Changpeng Zhao announced that Binance would sell its holdings of the token, which was quickly followed by a spike in customer withdrawals from FTX.^[18] FTX was unable to meet the demand for customer withdrawals.^[19] Binance signed a letter of intent to acquire the firm, with due diligence to follow, to ensure that customers could recover their assets from FTX in a timely manner, but Binance withdrew its offer the next day, citing reports of mishandled customer funds and U.S. agency investigations.^[20] On December 12, 2022, founder Sam Bankman-Fried was arrested by the Bahamian authorities for financial offences, at the request of the US government.^[21]

The current CEO of FTX is John J. Ray III, who specializes in recovering funds from failed corporations. Speaking of its previous management, Ray stated: "Never in my career have I seen such a complete failure of corporate controls and such a complete absence of trustworthy financial information as occurred here." He added that "this situation is unprecedented."

History

Sam Bankman-Fried and Zixiao "Gary" Wang^[22] founded FTX in May 2019.^[23] FTX began within Alameda Research, a trading firm founded by Bankman-Fried, Caroline Ellison, and other former employees of Jane Street in 2017, in Berkeley, California.^{[5][24][25]} FTX is an abbreviation of "Futures Exchange".^[5] Changpeng Zhao of Binance purchased a 20% stake in FTX for approximately \$100 million, six months after Bankman-Fried and Wang started the firm.^[26]

FTX Trading Ltd.

	
Type	Private
Industry	Cryptocurrency
Founded	May 2019
Founders	Sam Bankman-Fried Gary Wang ^[1]
Fate	Chapter 11 bankruptcy
Headquarters	Nassau, New Providence, The Bahamas
Key people	John J. Ray III, CEO ^[2]
Products	Cryptocurrency exchange · cryptocurrencies
Revenue	▲ US\$1.02 billion (2021) ^[3]
Operating income	▲ US\$272 million (2021) ^[3]
Net income	▲ US\$388 million (2021) ^[3]
Number of employees	c. 300 (2022) ^[4]

In August 2020, FTX acquired Blockfolio, a cryptocurrency portfolio tracking app, for \$150 million.^[27] In July 2021, the venture raised \$900 million at an \$18 billion valuation from over 60 investors, including Softbank, Sequoia Capital, and other firms.^{[28][29]} Bankman-Fried bought out Zhao's stake for approximately \$2 billion.^[26] In September of that year, FTX moved its headquarters from Hong Kong to The Bahamas.^[30]



FTX founder Sam Bankman-Fried

On January 14, 2022, FTX announced a \$2 billion venture fund named FTX Ventures,^[31] raising \$400 million in Series C funding at a \$32 billion valuation that month.^[32] The FTX Ventures website went offline in November 2022.^[33] On February 11, 2022, FTX.US announced that the company would soon begin offering stock trading to its US customers.^[34]

In February 2022, it was reported that FTX was creating a gaming division that would help developers add cryptocurrency, NFTs, and other blockchain-related assets into video games.^[35]

In July 2022, FTX finalized a deal giving it the option to buy BlockFi for about \$240 million. The deal included a \$400 million credit facility for BlockFi.^{[36][37]}

In August 2022, the Federal Deposit Insurance Corporation (FDIC) issued a cease-and-desist order to FTX for making "false and misleading representations" about deposits being covered by FDIC insurance following FTX president Brett Harrison's tweet implying otherwise.^[38] Following the regulatory action, Harrison deleted the tweet and Bankman-Fried clarified in another tweet that FTX deposits are not insured by the FDIC.^[39]

On September 26, 2022, FTX.US won its bid at auction for the digital assets of bankrupt crypto brokerage Voyager Digital. The value of the deal was approximately \$1.42 billion, including \$1.31 billion in Voyager-held cryptocurrency and \$111 million in additional consideration. The deal was subject to approval by bankruptcy courts and Voyager's creditors.^[40] Following the FTX bankruptcy, in December 2022, the US subsidiary of Binance won the bid to buy the assets of Voyager for approximately \$1 billion.^[41]

On September 27, 2022, FTX.US President Brett Harrison announced he would be stepping down from an active role at the exchange but would stay on in an advisory capacity. The company did not immediately announce a replacement for Harrison, who had been FTX.US president since May 2021.^[42]

In October 2022, it was reported that FTX was under investigation in Texas for allegedly selling unregistered securities.^[43]

In August 2023, it was reported that the company plans to restart offering cryptocurrency trading services after a restructuring of the bankrupt company is completed^[44]

November 2022 crisis and bankruptcy

Background: FTX and Alameda, Binance, and *CoinDesk* report

In September 2022, Bloomberg reported on the close relationship between Alameda Research and FTX. Bloomberg noted that Alameda had functioned as a market maker for FTX early in the exchange's history, and that the trading firm remained, in June and July 2022, the biggest known depositor of stable coins on FTX.^[45] Bloomberg further stated that the regulatory oversight which applies to companies operating in traditional equities markets would have prohibited the relationship between the two firms were it applicable.^[45] Alameda's trading on FTX meant the trading firm was potentially in a position to gain financially when others lost money on the exchange.^[46] Bankman-Fried, at points, defended FTX's use of Alameda as a liquidity provider.^[46]

FTX Token	
Denominations	
Code	FTT
Development	
White paper	FTT Whitepaper (https://docs.google.com/document/d/1u5MOkENoWP8PGcj_uoKqRkNP5GI1LLRB9Jv_AHwffQ7ec/edit)
Initial release	May 5, 2019

According to John J. Ray III, Alameda had a "secret exemption" from FTX's auto-liquidation protocol.^[47] Later, the existence of such an undisclosed beneficial relationship was described by Ray, the new CEO of FTX, as a "complete failure of corporate controls"^[48] and indicated gross mismanagement.^[47] Between early 2021 and March 2022, Alameda Research amassed crypto tokens ahead of FTX announcing the decision to list them for trading.^[49]

According to anonymous sources cited by *The Wall Street Journal*, FTX had lent \$10 billion of its customers' assets to Alameda Research in 2022.^[50] Alameda CEO Caroline Ellison disclosed to other Alameda employees that she, Sam Bankman-Fried, Gary Wang, and Nishad Singh knew about that decision.^[51] An anonymous source cited by the *New York Times* said the same.^[52] According to the sources cited by *The Wall Street Journal*, Ellison said the funds were used in part to pay back loans Alameda had taken to make investments.^[51] Ray said that FTX used software to conceal the misuse of customer funds.^{[47][48][53]}

Several months after Bloomberg's initial report on the relationship between the two firms, on November 2, 2022, *CoinDesk* reported that a significant portion of Alameda Research's assets were held in FTT, the exchange token issued by FTX. It said that there were \$5.1 billion worth of FTT tokens in circulation, and that Alameda's balance sheet held \$3.66 billion of "unlocked FTT", \$2.16 billion of "FTT collateral", and \$292 million of "locked FTT".^[16] In the weeks immediately preceding the publication of the story by *CoinDesk*, Bankman-Fried was characterized by anonymous sources cited by Bloomberg as "desperately" attempting to raise money for FTX.^[54] Additionally, Bankman-

Fried had been publicly "dueling" with Changpeng Zhao on Twitter in the months preceding the *CoinDesk* article, in part due to disagreements stemming from their differing views on regulation of cryptocurrency.^[55]

Crisis begins: Binance FTT sale, sell-off, and withdrawn rescue bid

Several days after the publication of the *CoinDesk* article, on November 6, Binance CEO Changpeng Zhao said on Twitter that his firm intended to sell all its holdings of FTT.^[56] Binance had received FTT from FTX in 2021 during a transaction in which FTX bought back Binance's equity stake in FTX.^[57] Zhao cited "recent revelations that came to light" as the motivation for selling FTT.^[57] *Bloomberg* and *TechCrunch* reported that any sale by Binance would likely have an outsized impact on FTT's price, given the token's low trading volume.^{[58][59]} The announcement by Zhao of the pending sale and disputes between Zhao and Bankman-Fried on Twitter led to a decline in the price of FTT and other cryptocurrencies,^[60] resulting in a three-day depositor selloff, like a bank run, of an estimated \$6 billion that sent FTX into crisis.^[61] On November 8, Zhao announced Binance had entered into a non-binding agreement to purchase FTX due to what he referred to as a "liquidity crisis" at FTX.^{[62][63]} The deal did not include the sale of FTX.US.^[62] Zhao announced on Twitter that the company would complete due diligence soon, adding that all cryptocurrency exchanges should avoid using FTT tokens as collateral.^{[64][65]} He also wrote that he expected FTT to be "highly volatile in the coming days as things develop". On the day of that announcement, FTT price dropped by 80 percent, erasing \$2 billion in value.^[66]

On November 9, *Bloomberg* called the acquisition of FTX by Binance "unlikely" due to the poor state of FTX's finances.^[67] *Bloomberg* also reported that the United States Securities and Exchange Commission and Commodity Futures Trading Commission were investigating the nature of FTX's connections to Bankman-Fried's other holdings and its handling of client funds.^[68] Later that day, the *Wall Street Journal* reported that Binance would not move forward with the deal to acquire FTX.^[69] Binance cited FTX's reported mishandling of customer funds and pending investigations of FTX as the reasons for not pursuing the deal.^[70] Bankman-Fried said in a Slack message that FTX had learned through the press about Binance's concern and decision.^[69]

On November 9, FTX's website said that it was not processing withdrawals at that time.^[61] Bankman-Fried said that although the firm's assets were worth more than its clients' deposits, it would need funds from outside to meet demand for withdrawals due to a lack of liquidity.^{[71][72]} Bankman-Fried stated on November 9 that FTX.US, as a separate company, was "not currently impacted" by the crisis.^[73]

Bankruptcy and unauthorized transactions

On November 10, *Axios* cited anonymous sources who said that FTX approached Kraken for a potential rescue deal.^[74] Bankman-Fried made several statements on November 10, taking responsibility for FTX's failure and indicating that FTX was still seeking capital to remain solvent.^[75] Bankman-Fried also announced that Alameda Research would cease trading and end operations.^[76] FTX's in-house legal and compliance teams had, for the most part, resigned by November 10.^{[77][78]} Anonymous sources cited by the *Wall Street Journal* on November 10 said that Alameda Research owed FTX some \$10 billion, as FTX had lent funds placed on the exchange for trading to Alameda so that Alameda could make investments with the money.^[50] On November 12, anonymous sources cited by the *Wall Street Journal* said Alameda CEO Caroline Ellison disclosed to other Alameda employees

that she, Sam Bankman-Fried, Gary Wang, and Nishad Singh knew that client deposits were transferred from FTX to Alameda.^[51] An anonymous source cited by the *New York Times* on November 14 said the same.^[52] According to the sources cited by *The Wall Street Journal*, Ellison said the funds were used in part to pay back loans Alameda had taken to make investments.^[51]

Though Bankman-Fried, on November 10, wrote on Twitter that FTX's US customers did not have reason to worry, employees began attempting to sell assets belonging to the firm on the same day.^[79] These assets include stock-clearing company Embed Financial Technologies and the naming rights to FTX Arena.^[79]

On November 10, the Securities Commission of the Bahamas froze the assets of one of FTX's subsidiaries, FTX Digital Markets Ltd, "and related parties", and provisionally appointed an attorney as liquidator.^{[80][81]} Japan's Financial Services Agency ordered FTX Japan to suspend some operations.^{[82][83]} The company's Australian subsidiary was placed under administration.^[82]

On November 10, the team running the FTX Future Fund, an ostensibly charitable group bankrolled by Bankman-Fried, announced that they had resigned earlier that day.^[12] Future Fund had committed \$160 million in charitable grants and investments by September 1 of that year.^[84] Crypto lender BlockFi, which was affiliated with FTX, announced on November 10 that it was suspending operations as a result of FTX's collapse.^[12]

On November 11, FTX, FTX.US, Alameda Research, and more than 100 affiliates filed for bankruptcy in Delaware.^{[14][12][15]} Anonymous sources cited by the *New York Times* said that the exchange owed as much as \$8 billion.^[12] Bankman-Fried resigned as CEO and was replaced by John J. Ray III, a corporate restructuring specialist who'd previously overseen the liquidation of Enron.^{[14][15][85]}

Late on November 11, over \$473 million in funds were siphoned from FTX through what Ryne Miller, FTX US's general counsel, characterized as "unauthorized transactions".^[86] Miller announced that FTX and FTX US intended to move remaining funds denominated in cryptocurrency to offline "cold storage" for security.^[86] The funds taken from FTX were mostly stablecoins such as Tether, and were quickly exchanged for Ether, a method used by cryptocurrency thieves to thwart attempts to retrieve stolen funds.^[87] A person speaking on behalf of FTX referred to the "unauthorized transactions" as a "hack" and encouraged users to delete FTX mobile apps as they were compromised.^[88] Kraken has since offered to assist in identifying the perpetrator.^[89]

As of November 12, Bankman-Fried told Reuters that he was still in the Bahamas,^[90] though other high-ranking FTX employees had begun leaving for Hong Kong, the location of the company's former headquarters, or other locations.^[88] Authorities in the Bahamas, including the Royal Bahamas Police Force, questioned Bankman-Fried on November 12.^[91] Despite FTX's bankruptcy, Bankman-Fried continued to attempt to raise money for the firm during the weekend of November 12 and 13.^[92]

On November 14, Kraken's chief security officer said on Twitter that the firm knew "the identity" of a user who paid transaction fees associated with moving the stolen money through their Kraken account.^[93] In an interview with Kelsey Piper published November 16 by Vox, Bankman-Fried blamed an "ex-employee" or malware on a device owned by an ex-employee for the theft.^[94]

According to anonymous sources cited by Reuters, between \$1 billion and \$2 billion in customer funds could not be accounted for as of November 12.^{[95][96]} The *Financial Times* reported that FTX's balance sheet shortly before the bankruptcy showed \$9 billion in liabilities, with \$900 million in

Bankman-Fried began publishing "cryptic" messages in sequence on Twitter on November 14.^[98] As of November 15, the messages all read "What HAPPENED".^[98]

On November 15, FTX sought to raise \$10 billion in liquidity from investors.^[99]

On November 16, the Bahamas unit of FTX, FTX Digital Markets, officially filed for Chapter 15 bankruptcy protection in the United States.^[100]

On November 17, John J. Ray III, the CEO brought in as a liquidator, stated in a sworn declaration submitted in bankruptcy court that, according to FTX's records, its subsidiary Alameda Research had on September 30 lent \$1 billion to Bankman-Fried and more than \$500 million to FTX co-founder Nishad Singh.^[101] Ray, having been involved in the bankruptcies of Enron, Residential Capital, Nortel and Overseas Shipholding, stated, "Never in my career have I seen such a complete failure of corporate controls and such a complete absence of trustworthy financial information as occurred here. From compromised systems integrity and faulty regulatory oversight abroad, to the concentration of control in the hands of a very small group of inexperienced, unsophisticated and potentially compromised individuals, this situation is unprecedented."^{[102][103]} Speaking to the House Committee on Financial Services, he testified that "literally, there's no record-keeping whatsoever" and that the company used for its accounting needs QuickBooks, a small-business accounting tool, despite handling "billions of dollars."^[104]

Widening impact and contagion fears

The exchange token of Crypto.com, Cronos, lost approximately \$1 billion in value in November,^[105] a decline attributed in part due to the collapse of FTX and in part due to reporting that Crypto.com had accidentally sent \$400 million of Ether to another exchange.^{[50][51]} On November 14, Crypto.com's CEO assured users that the exchange was functioning as normal.^[105] Commenters and customers remained fearful that Crypto.com could experience a collapse similar to FTX.^[106]

BlockFi, a cryptocurrency lender, was reportedly taking steps to file for bankruptcy as of November 15.^[107] The firm had earlier begun preventing withdrawals.^[107] The company disclosed "significant exposure" to FTX on November 14.^[107] Another cryptocurrency lender, Genesis, a subsidiary of Digital Currency Group, halted withdrawals on November 16.^[108] This halt caused Gemini, an exchange owned by the Winklevoss twins, to cease allowing redemptions for clients using a service provided through a partnership with Genesis.^[109] Another Digital Currency Group subsidiary, Grayscale, saw the value of its flagship offering, the publicly traded Grayscale Bitcoin Trust, decline by 20% over the two weeks preceding November 17.^[110] Grayscale Bitcoin Trust was trading at a discounted price, 42% below the value of its Bitcoin, as of November 14.^[111]

Concerns have also been raised about Silvergate Bank, as FTX was a depositor and could have also been a source of credit exposure. Silvergate has said that it has ample liquidity and no loan exposure to FTX. These concerns have been magnified due to Silvergate's key role as a gateway between its cryptocurrency clients and the wider financial world.^{[112][113]}

Responses and effects

Effects on investors

Institutional investors that stand to lose money due to their stakes in FTX include Tiger Global Management, the Ontario Teachers' Pension Plan, SoftBank Group, BlackRock, Lightspeed Venture Partners, Temasek, and Sequoia Capital.^{[114][115][116][117][118]} Sequoia Capital wrote down its equity in FTX to \$0 on November 9, losing some \$214 million.^[119] Sequoia released a notice to investors, also published on Twitter, assuring them the firm's stake in FTX represented a small amount of its overall portfolio,^[120] and replaced a profile of Bankman-Fried published on the firm's website with a link to the same notice.^{[121][122][123]} The Ontario Teachers' Pension Plan released a similar statement.^[124] Temasek later wrote down its investment on November 16.^[125] Several public figures also invested in FTX or received compensation for promoting the company.^[126] These include football player Tom Brady, basketball players Shaquille O'Neal and Stephen Curry, model Gisele Bündchen, and businessman Kevin O'Leary.^[126]

Gisele Bündchen was also appointed the ESG advisor for the cryptocurrency platform. After its bankruptcy, investors sued her for her involvement and accused her of participating in FTX's alleged scheme to take advantage of unsophisticated investors.^[127]

Anthony Scaramucci, founder of SkyBridge Capital, announced the firm was attempting to buy back a 30% stake in the business owned by FTX.^[128]

Effects on other cryptocurrency firms and cryptocurrency markets

Cryptocurrency investment firms with assets still held on FTX after its bankruptcy include Galois Capital and Galaxy Digital.^[129]

Cryptocurrencies experienced swings and declines in value as news of FTX's collapse first emerged in early November: Tether dropped below its peg price of \$1.00 to \$0.97^[130] and Bitcoin sank to its lowest price in two years.^[15] Share prices for publicly traded cryptocurrency companies declined.^[131] The price of Solana, which was affiliated with Bankman-Fried, declined as well.^[132] The crisis at FTX has inspired an increase in withdrawals from other exchanges.^[133] A decline in the value of Cronos, the token of exchange Crypto.com, triggered fears of the potential for a collapse similar to that of FTX and spurred withdrawals from the platform.^[106] CEO Kris Marszalek provided assurances that the firm was liquid and that it did not use Cronos in a manner similar to the way FTX used FTT.^[106] Bloomberg reported that the collapse of FTX exacerbated institutional skepticism of cryptocurrencies as an asset class.^[134]

In December, it emerged that FTX had secretly invested in *The Block*, a cryptocurrency news firm, and to fund an LLC its CEO Michael McCaffrey used to buy an apartment. Its staff said they had no knowledge of the investments. McCaffrey then resigned.^[135]

Responses and commentary

Investment manager and short selling specialist Jim Chanos predicted in November 2022 the collapse of FTX would lead to "increased scrutiny and regulation" over cryptocurrencies. Chanos criticized the cryptocurrency sector as "designed to extract fees from really unsuspecting investors".^[136]

Richard Handler, CEO of American financial firm Jefferies Group, tweeted on November 10 that he had attempted to meet with Bankman-Fried in July and again in September, as he perceived the FTX CEO was "in over his head".^[137] Handler stated that Bankman-Fried did not respond to the emails sent from Jefferies staff on Handler's behalf.^[137]

The sudden collapse of FTX has been compared to the bankruptcy of Lehman Brothers in publications such as *The New York Times* and the *Financial Times*.^{[138][139]} Lawrence Summers acknowledged the comparisons to Lehman and further compared the collapse to the Enron scandal, caused by fraud perpetrated by Enron executives.^[140] Rostin Behnam, the Chairman of the Commodity Futures Trading Commission, called for Congress to grant the organization more power to regulate cryptocurrencies.^[141] The financial impact of the collapse having reached beyond the immediate FTX customer base,^[142] financial industry executives said at a Reuters conference that "regulators must step in to protect crypto investors."^[143] Technology analyst Avivah Litan commented on the cryptocurrency ecosystem that "everything...needs to improve dramatically in terms of user experience, controls, safety, [and] customer service."^[144] Risk management firm Titan Grey published a primer on the commencement and early motions practice of the FTX chapter 11 case, analyzing issues such as creditor privacy, relief from the automatic stay, proposed differential treatment of customers from other creditors, and others.^[145]

Legal process

Following the collapse of FTX, the Royal Bahamas Police Force launched a criminal investigation into the company.^{[146][147]}

Anonymous sources cited by Bloomberg said that the office of the United States Attorney for the Southern District of New York had begun an investigation into FTX's collapse as of November 14, 2022.^[148]

The United States House Committee on Financial Services announced it plans to conduct hearings in December on the collapse of FTX, and committee leaders said they would seek testimony from Bankman-Fried.^[149] According to anonymous sources cited by *The Information*, some venture capital firms are considering suing Bankman-Fried.^[150]

On December 13, 2022, FTX founder and CEO Sam Bankman-Fried was charged by the US attorney's office for the southern district of New York with fraud, conspiracy to commit money laundering, and conspiracy to defraud the US and violate campaign finance laws.^[151] After being extradited from the Bahamas, Bankman-Fried was released on a \$250 million bond and ordered to remain under house arrest at his parents' home in Palo Alto, California. He was arraigned in federal court in Manhattan on January 3, 2023, and entered a plea of not guilty to all counts. Judge Lewis A. Kaplan set a trial date

for October 2, 2023, saying he might move it "forward or backward a day or two." Meanwhile, Gary Wang, co-founder of FTX, and Caroline Ellison, who had served as Alameda's CEO, pleaded guilty to multiple charges and began cooperating with federal prosecutors.^{[152][153][154]}

FTX's former engineering director, Nishad Singh, has pleaded guilty to six different charges, including three counts of conspiracy to commit fraud. Singh is a childhood friend of Bankman-Fried's brother and worked at Alameda Research before being brought into FTX.^[155] Singh is now said to be cooperating with prosecutors' investigations against Bankman-Fried.

Sponsorships

FTX sponsored a number of sports teams and organizations. Deals included the naming rights to the Miami Heat's basketball stadium, renaming it FTX Arena,^{[156][157]} a partnership with Major League Baseball to place the FTX logo on the uniforms of umpires,^[158] and a deal with Mercedes-AMG Petronas F1 Team to add the FTX logo to their cars and merchandise.^[159] The professional esports organization TSM also had a naming rights deal with FTX, thus the organization became TSM FTX.^[160]



The FTX Arena in Miami, Florida

Other sponsorships included the title sponsorships of the first season of MLB Home Run Derby X,^[161] and the title sponsorship of the tournaments FTX Road to Miami and FTX Crypto Cup as part of the Champions Chess Tour 2022.^[162]

Following the bankruptcy of FTX in November 2022, Mercedes-AMG F1, TSM and the Miami Heat cut ties with the company, with the latter also announcing that they would be seeking a new naming rights partner for the FTX Arena.^{[163][164][165]} FTX held talks with American singer-songwriter Taylor Swift starting in the fall of 2021 regarding a \$100 million sponsorship deal but negotiations were broken off the following spring without a deal being reached.^{[166][167]}

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EXHIBIT 6

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Features

And Then There Was One

In an astonishing six months as crypto winter hobbled even well-funded crypto companies, Binance defended its position at the top of all crypto exchanges and took down its \$40 billion rival, FTX. That's why Changpeng Zhao is one of CoinDesk's Most Influential 2022.

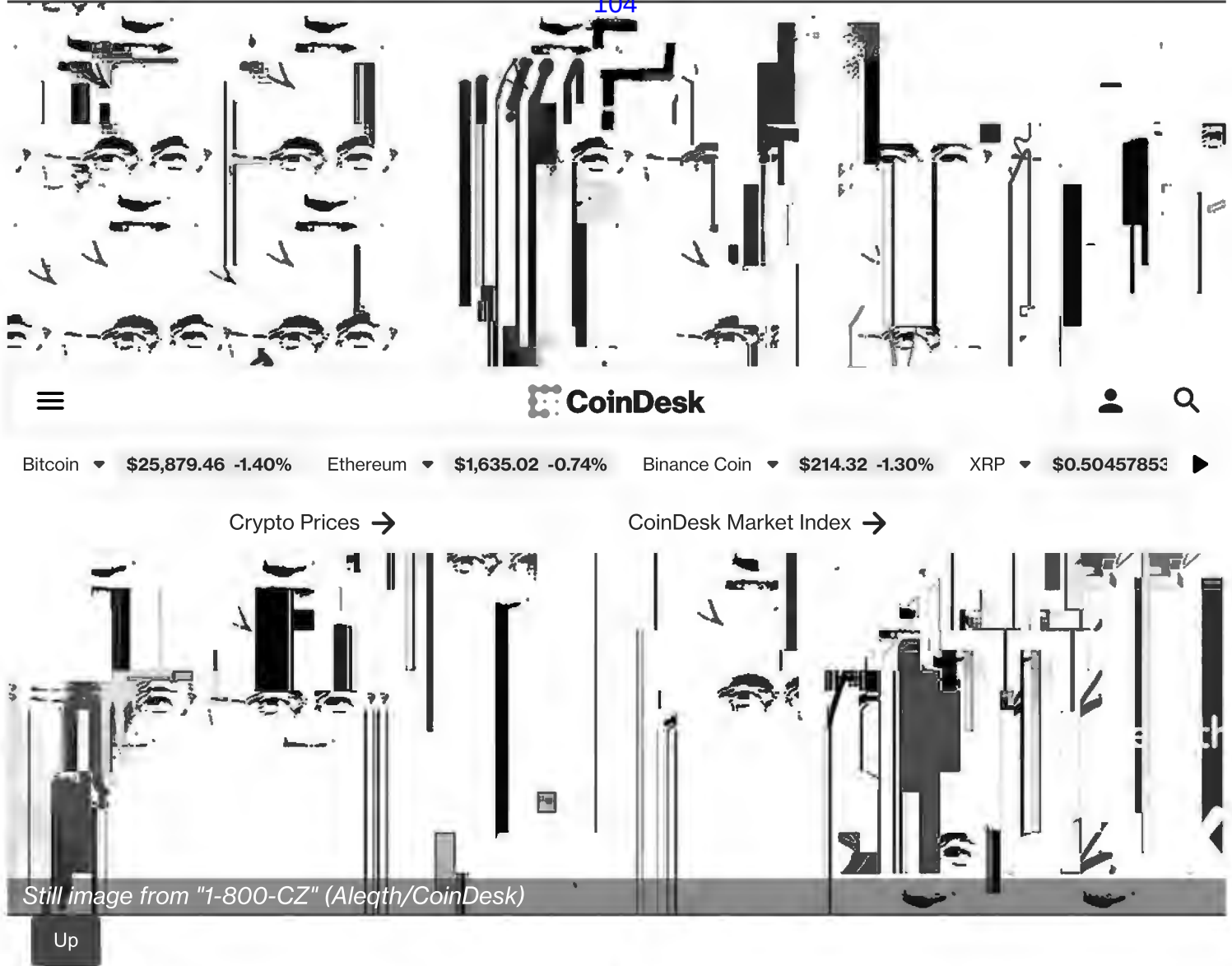
By Emily Parker

 Dec 5, 2022 at 4:39 a.m. PST

Updated Dec 29, 2022 at 8:15 a.m. PST

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The past half year in crypto has been one of bankruptcies, layoffs and steep losses. But two supremely powerful players stood in stark contrast to the wreckage. One was Sam Bankman-Fried (SBF), the CEO of cryptocurrency exchange FTX, and the other was his competitor, Binance CEO Changpeng Zhao, better known as CZ. With FTX's dramatic collapse, now we are down to one.

There's no question that CZ played a significant role in FTX's demise. But before we get to that, it's important to note that before this latest drama, Binance was already the world's largest exchange by trade volume. CZ leads Binance on his own terms, refusing to be labeled as belonging to any one specific country. He is both everywhere and nowhere. Back in 2018, I asked CZ where he was based. "People still have this really strong concept of where your company is, and where you are," he told me at the time. "A company is a concept. An organization is a concept."

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When I asked where he called home, he said, "I don't really have any answer to that. Earth?"

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These words might sound unorthodox in the world of traditional finance but we're talking about crypto, and one could say that CZ's attitude captures the spirit of a global and decentralized form of money. So does his rejection of fiat currencies and the traditional banking system – in June he told CNBC, "I don't have dollars, everything is in crypto," and at Consensus earlier this year he told me that he has a bank account "but I don't use it at all."

Not all governments are fans of Binance's approach. But even as the exchange encountered friction from various regulators, its crypto-world influence continued to grow. Earlier this year, as other companies were laying off employees, CZ was flexing Binance's plans to hire. CZ has nearly 8 million followers on Twitter and devoted fans all over the world. Binance recently invested \$500 million in Twitter, ensuring the exchange has a seat at the table during the reign of Elon Musk. Despite CZ's own lack of interest in using a bank account, Binance is reportedly looking into buying banks.

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But it was with FTX's downfall that CZ really consolidated his power. Following the publication of Ian Allison's fateful CoinDesk article showing that FTX sister company Alameda's balance sheet was largely made up of FTX-issued token FTT, CZ publicly announced Binance would sell its FTT holdings. Soon after that, Binance announced its intent to buy FTX, then pulled out after taking a closer look at FTX's situation and deciding it was beyond repair. This contributed to a widespread loss of faith in FTX as concerned investors rushed to withdraw their money. The fall was swift: On Nov. 9, CZ said that an FTX acquisition is "not a win for us." Two days later, FTX filed for bankruptcy protection.

This initially looked like a brilliant chess move on the part of CZ, as his actions contributed to the deathblow of his former competitor. But as the story developed it became clear this was much bigger than a rivalry between exchanges. More alarming information about FTX surfaced – including reports that FTX was using its customers' money to pay for risky bets at its sister company, Alameda. Sam apparently cashed out \$300 million of his investors' money. Now, much of FTX's funds is missing and creditors don't know if or when they will see their money again.

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In other words, regardless of what CZ's actual intentions may have been, he ended up on the right side of history.

I would argue that Binance's influence became more controversial after FTX fell. Because that's when CZ began assuming Bankman-Fried's previous role of crypto industry "savior." FTX was not as big as Binance, but it punched above its weight. Over the past year, SBF became known as a kind of white knight, attempting to bail out distressed companies like Voyager Digital and BlockFi. Now that FTX is out of the game, Binance has stepped up to the plate. Binance committed \$1 billion in BUSD (Binance's stablecoin) for a recovery fund that aims to buy distressed assets and support the industry. Then Binance committed \$1 billion more, also in BUSD. There are other contributors to the fund, such as Aptos Lab and Jump Crypto, but CZ is very much the face of it. "Binance's Billionaire CEO Casts Himself as Crypto's New Savior," read a recent Bloomberg headline.

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Changpeng Zhao, CEO of Binance, at Consensus Singapore 2018 (CoinDesk)

If this all sounds familiar, it's because it is. "Crypto's Last Man Standing," read an Economist headline about SBF in an article from July of this year, describing him at the "center of attempts to rescue beleaguered crypto firms." These are, of course, media headlines, not the actual words of SBF or CZ, but there is still no question that CZ is widely perceived in a similar savior role that SBF played. Binance US is even bidding for Voyager, the same crypto lender that FTX tried to acquire. SBF famously strived to gain power and influence in Washington, D.C.; now, Binance US is forming a political action committee, or PAC.

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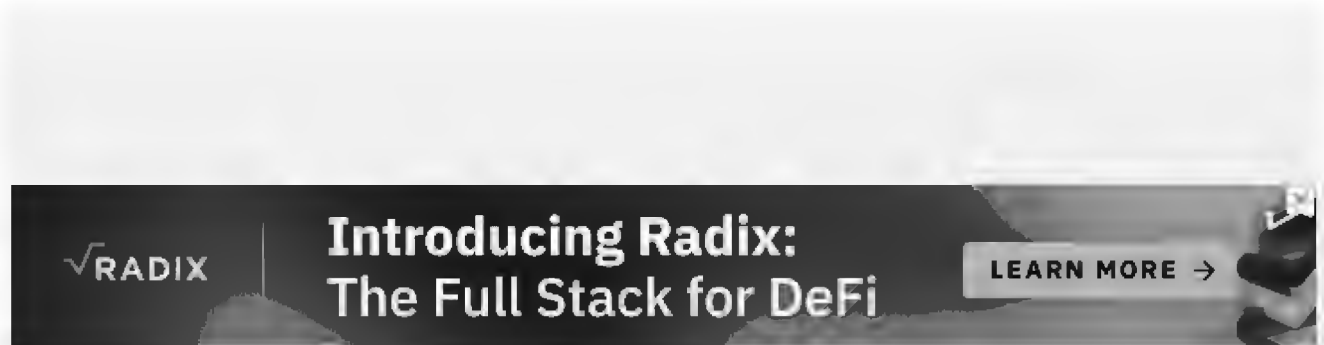
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This role of crypto savior is problematic for several reasons. First, it goes against the core ideals of crypto, which is supposed to be trustless, decentralized and resistant to a single point of failure. But there are practical consequences as well. Because FTX was doing business with so many companies, its implosion triggered a domino effect. BlockFi, one of the companies that FTX tried to rescue, just filed for Chapter 11 bankruptcy. Other companies, including CoinDesk sister company Genesis Trading and Gemini, have suffered from contagion. There is likely more to come. The fall of such a well-known and once well-liked figure as SBF has also dealt a major black eye to the crypto industry, which already struggles to gain trust from regulators and much of the public.

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SBF's downfall, of course, was due to his own actions. But his outsized influence certainly exacerbated the wreckage. Now, if something were to happen to Binance the fallout would potentially be even more devastating. Who would be left to come to the rescue of the world's largest exchange? Perhaps CZ truly does want to use his power to rescue an industry in which he clearly believes. But what recent history has taught us is that crypto should not place too much hope in any one savior, regardless of who that savior might be.

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Emily Parker

Emily Parker is CoinDesk's executive director of global content. She was member of the State Department's Policy Planning Staff, a writer/editor at The Wall Street Journal and editor at New York Times. She is author of "Now I Know Who my Comrades Are: Voices from the Internet Underground" (FSG). She speaks Chinese, Japanese, French and Spanish.

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Binance Market Share Only Goes Up After FTX

Despite US regulators gobbling its branded stablecoin, Binance still handles more volume than any other crypto exchange

BY SEBASTIAN SINCLAIR / MARCH 9, 2023 03:58 AM



Binance CEO Changpeng Zhao | Blockworks exclusive art by Axel Rangel

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Binance makes up more of the crypto derivatives market than ever, thanks to a four-month hot streak following the collapse of rival FTX.

Binance was responsible for 61.8% of global spot trade last month, up 2.4%, after it recorded \$540 billion in total volume, according to a report by [CryptoCompare](#).

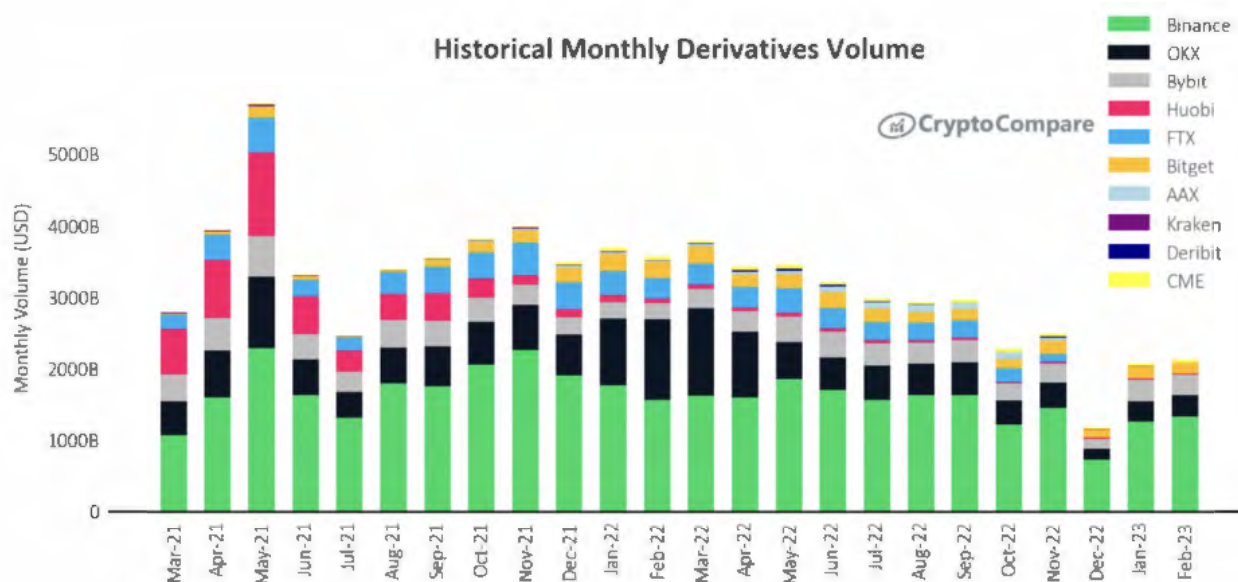
Spot volumes for Coinbase, Bitfinex and Bitstamp all saw a monthly decline in February.

Binance also topped derivatives volumes with 63% — its highest market share on record. The exchange clocked \$1.32 trillion in derivatives volumes in February, up more than 5% on January's figures, and now far ahead of Bybit and OKX.

All while Binance suffers what could be the beginning of the end for its branded stablecoin [BUSD](#). The SEC issued its issuer Paxos a Wells Notice last month, effectively flagging intent to sue over potential securities law violations.

New York-headquartered Paxos quickly announced it would [stop minting new tokens](#). Customers have since redeemed billions in BUSD for cash.

Still, BUSD remains the second-most used stablecoin or fiat pair across centralized exchanges, with 23.1%, per CryptoCompare. Tether's USDT is far ahead with 72%.



Derivatives volumes are still mostly green (which means Binance) | [source](#)

"USDT proved to be the largest winner [of the Paxos situation] as its BTC trading volumes in February rose 6.66% to 11.2 million BTC month-on-month," CryptoCompare said.

Both BUSD and USDC, on the other hand, saw declines in their BTC trading volumes.

Spot markets overall have witnessed an increase in trading activity in recent months, spurred by comparatively cheap crypto prices. More favorable macro conditions have also helped, CryptoCompare said, especially compared to this time last year.

In February, total spot trading volumes increased 10% to \$946 billion, the second consecutive month of rising volumes. But they remain at “historically low levels.”

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BY DARREN KLEINE / SEPTEMBER 6, 2023

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BY BESSIE LIU / SEPTEMBER 6, 2023

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EXHIBIT 8



Cryptocurrencies

● This article is more than 8 months old

Binance boss says no one can be protected from a 'bad player'

Changpeng Zhao announces plans for an industry 'recovery fund' for struggling crypto firms

Dan Milmo *Global technology editor*

Mon 14 Nov 2022 06.09 EST

The head of the world's largest cryptocurrency exchange has said after the collapse of rival FTX that no one can be protected from a "bad player" and announced plans for an industry "recovery fund" for struggling crypto firms.

Changpeng Zhao, the **founder and chief executive of Binance**, said it was not "100%" the responsibility of watchdogs to protect consumers and the crypto sector had to play its own part. However, he said preventing a rogue figure from evading regulators was difficult.

"No one can protect [from] a bad player, to be very frank, if a guy is very good at lying, and very good at just pretending to be what he's not. [If] somebody wants to violate the law, the law is not going to prevent that. The law can help to reduce that," Zhao said, speaking on Monday at the B20 business summit in Bali.

Zhao did not refer to the founder of FTX, Sam Bankman-Fried, in his comments but was responding to a question about regulation after the FTX collapse.

The FTX group, a top five cryptocurrency exchange before its implosion, **filed for bankruptcy protection** in the US on Friday. The Financial Times reported at the weekend that FTX had \$9bn (£7.65bn) of liabilities and \$900m in liquid assets - those it could easily sell - when it collapsed.

Zhao also announced on Monday plans for an "industry recovery fund" to help crypto firms that are illiquid, or struggling to sell assets in a volatile market.

"To reduce further cascading negative effects of FTX, **Binance** is forming an industry recovery fund, to help projects who are otherwise strong, but in a liquidity crisis," he wrote.




Before its collapse, FTX had performed a lender-of-last-resort role for crypto firms that were struggling after a marked decline in the digital asset market since November last year – a period over which the collective value of crypto assets fell from \$3tn to less than \$1tn.

Hours before FTX collapsed last Friday, BlockFi, a crypto lender, said it was pausing customer withdrawals due to the FTX situation. FTX had bailed out BlockFi in June with a \$250m loan, a week after Bankman-Fried’s company had loaned almost \$500m to the struggling crypto broker Voyager Digital.

Speaking in Bali, Zhao repeated calls for crypto regulation. Bankman-Fried had been lobbying on the issue in Washington before FTX’s collapse, in a [source of apparent tension with Zhao](#).

“We’re in a new industry, we’ve seen in the past week, things go crazy in the industry,” Zhao said. “We do need some regulations, we do need to do this properly, we do need to do this in a stable way.”

Cryptocurrency exchanges help people buy and sell crypto assets. [Cryptocurrencies](#) are based on the same basic structure as their star asset, bitcoin: a publicly available “blockchain” that records ownership without having any central authority in control, a structure that has led to warnings from regulators and central bankers that consumer investments in such assets are highly vulnerable.

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Zhao added in his B20 appearance that he was planning to form a new industry association to form common standards for the sector. The crypto industry already has a number of associations including the Blockchain Association in the US.

“One of the things we will do very soon ... we will try to collect the other industry players together [and] form an industry association globally, try to deal with some of the common standards in business etc. So as industry players we have a responsibility as well,” Zhao said.

On Monday, the chief executive of the Singapore-based crypto exchange Crypto.com said his firm would prove wrong all those who said the platform was in trouble, adding that it had a robust balance sheet and took no risks.

Kris Marszalek took questions during a livestreamed YouTube address, and also said the platform always maintained reserves to match every coin that customers held on its platform.

“We will just continue with our business as usual and we will prove all the naysayers and there is [sic] many of these right now on Twitter over the last couple of days,” Marszalek said.

“We will prove them all wrong with our actions. We will continue operating as we have always operated. We will continue being the safe and secure place where everybody can access crypto.”

The ask-me-anything session followed multiple tweets at the weekend from investors questioning a transfer of \$400m-worth of ether tokens from crypto.com to another exchange called Gate.io on 21 October. Marszalek said the transfer was an error and the ether tokens had been returned to the exchange.

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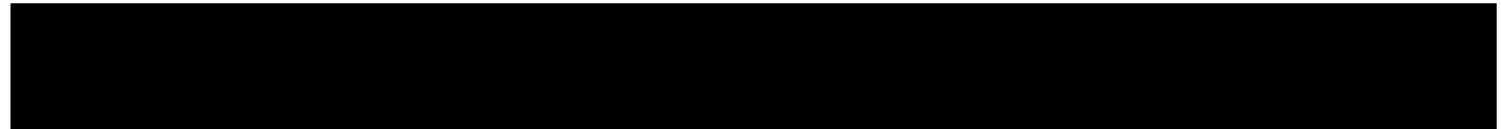
Finance




Binance to Sell Rest of FTX Token Holdings as Alameda CEO Defends Firm's Financial Condition


Alameda's CEO offered to buy Binance's FTT token holdings for \$22 apiece.


By Tracy Wang, Oliver Knight


 Nov 6, 2022 at 8:55 a.m. PST
Updated May 8, 2023 at 9:01 p.m. PDT








Bitcoin  \$29,217.35 +0.22%


Ethereum  \$1,857.60 +0.42%

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Binance's CEO, responding to a CoinDesk scoop about trading firm Alameda Research's balance sheet, tweeted Sunday that he will sell the remaining FTT tokens held on his books that he took on as part of his exit from Alameda sister company FTX last year.

Binance CEO Changpeng Zhao did not say how much FTT his firm will sell, but that as part of the cryptocurrency exchange's exit from FTX equity last year, Binance received roughly \$2.1 billion worth in the form of BUSD (Binance's stablecoin) and FTT.

As part of Binance's exit from FTX equity last year, Binance received roughly \$2.1 billion USD equivalent in cash (BUSD and FTT). Due to recent revelations that have come to light, we have decided to liquidate any remaining FTT on our books. 1/4

– CZ ♦ Binance (@cz_binance) November 6, 2022

Alameda's CEO, meanwhile, tweeted that her trading firm's financial condition is stronger than what was reflected by the balance sheet CoinDesk wrote about. She also offered, in a reply to the Binance CEO's post, to buy his firm's FTT token holdings for \$22 each.

@cz_binance if you're looking to minimize the market impact on your FTT sales, Alameda will happily buy it all from you today at \$22!




– Caroline (@carolinecapital) November 6, 2022

Speculation over the FTT token led to extreme price volatility amid the back-and-forth Twitter exchange.

Read more: *Divisions in Sam Bankman-Fried's Crypto Empire Blur on His Trading Titan Alameda's Balance Sheet*

In his initial tweet, Zhao said Binance's sale would be executed in a way that “minimizes market impact” and could take “a few months to complete.”

Blockchain explorer Etherscan **showed** an address moving 23 million FTT (worth approximately \$530 million) to a Binance exchange wallet Saturday afternoon.

  Transfer \$583M worth of **\$FTX** Token from 0x04b4 to 0x28c6 on Ethereum  <https://t.co/zwjwAFxdlu> – DeFi Sniper (@DefiSniper) **November 5, 2022**

The price of FTT declined 14% over a 24-hour period to \$22.02, its lowest price since June, according to CoinMarketCap. As of press time, the price of FTT rebounded to \$23.03.

Zhao's announcement comes after rumors swirled about the financial health of Sam Bankman-Fried's trading firm Alameda Research after a leaked balance sheet reviewed by CoinDesk **revealed** the trading firm owned \$5.8 billion of FTT tokens (including FTT tokens pledged as collateral) as of June 30. Alameda was revealed to have \$14.6 billion in assets and \$8 billion in liabilities, including \$7.4 billion in unidentified loans.

On Saturday, Alameda Research CEO Caroline Ellison responded to the rumors by [tweeting](#) that Alameda had over \$10 billion of assets “not reflected” on the leaked balance sheet. Ellison added that Alameda had undisclosed hedges in place and had already returned a bulk of their outstanding loans.

Zhao added that the sale of Binance’s FTT holdings was not to be interpreted as a slight against a competitor exchange.

“We typically hold tokens for the long term. And we have held on to this token for this long,” he tweeted. “We stay transparent with our actions.”

UPDATE (Nov. 6, 17:17 UTC): Adds additional context in body, details from Etherscan.

UPDATE (Nov. 6, 18:10 UTC): Updates FTT price.

STORY CONTINUES BELOW

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Tracy Wang

Tracy is a deputy managing editor at CoinDesk. She owns BTC, ETH, MINA, ENS and some NFTs.

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Oliver Knight

Oliver Knight is a CoinDesk reporter based between London and Lisbon. He does not own any crypto.

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EXHIBIT 10



Cryptocurrencies

Analysis

How Binance played a key role as FTX collapse unfolded

Dan Milmo

Global technology editor

Cryptocurrency exchange run by Changpeng Zhao pulled out of deal to rescue its rival

- **Crypto exchange FTX files for bankruptcy protection in US**
- **What happened to FTX and could the crisis harm the rest of crypto?**

Fri 11 Nov 2022 12.28 EST

One of the world's largest cryptocurrency exchanges, **FTX**, has collapsed, with what is reported to be an \$8bn (£6.8bn) black hole on its balance sheet. Of its 1 million users, many are now unable to withdraw their funds. On Friday, the FTX group, run from offices in America but headquartered in the Bahamas, filed for bankruptcy protection in the US.

FTX's rival, **Binance**, has played a key role in the saga. Here is a step by step account of how the disaster unfolded.

The protagonists

Known by the monikers SBF and CZ, Sam Bankman-Fried and Changpeng Zhao could be seen as two sides of the same crypto coin. In a few short years, they built two of the largest digital currency exchanges: FTX and the biggest, Binance. As former business partners and major players in a multibillion-dollar industry, their highs, and lows, are intertwined. But their backgrounds are very different.

Bankman-Fried, 30, is the son of Stanford University professors and a graduate of Massachusetts Institute of Technology. He made multimillion-dollar political donations, appearing on Capitol Hill in a regulatory lobbying drive, rubbing shoulders with the likes of Bill Clinton and Tony Blair at FTX conferences, and paying for his company's name to adorn Miami Heat's basketball arena in Florida. His fortune, worth about \$16bn at the start of the week, has now evaporated.

Zhao, 45, was born in the coastal province of Jiangsu, north of Shanghai, and followed his academic father to Canada when he was 12. Zhao is now a Canadian citizen. After graduating from Montreal's McGill University with a degree in computer science he worked on programming systems for the Tokyo Stock Exchange and Bloomberg, before launching Binance in 2017. His fortune has taken a hit too, falling by \$79bn this year to a still-huge \$16.4bn, according to Bloomberg. It will probably remain under pressure as Bankman-Fried's woes play out.

Wednesday 2 November

Zhao was in Lisbon last week when the fuse was lit **on the FTX crisis**. The Binance chief executive was a headline speaker at the annual Web Summit - a gathering of the great and good of the tech world - and as usual he was defending the long-term future of digital assets.

"I think volatility is always going to be there. It's a trading market. It's just like a stock market. If stock markets don't have volatility, who will invest?" he told the Guardian.

It turns out a renewed bout of volatility was imminent.

As Zhao spoke, the crypto news service **CoinDesk published claims** about the balance sheet of Alameda Research, a crypto hedge fund owned by the FTX founder, Sam Bankman-Fried. Alameda held billions of dollars worth of FTX's own cryptocurrency,

FTT, and had been using it as collateral in further loans. This meant a fall in FTT's value would hurt both firms, given their shared ownership.

Friday 4 November

Following the CoinDesk report, a pseudonymous crypto researcher, Dirty Bubble Media, published further claims about Alameda on Substack, the newsletter platform. Its newsletter asked if the company was insolvent. Referring to the holding of a chunk of assets in FTT, it added: "It's almost as if SBF [Sam Bankman-Fried] found a way to hack the financial system, printing billions of dollars out of thin air against which he was able to borrow massive sums from unknown counterparties."

Sunday 6 November

Zhao set off alarm bells among investors when he tweeted "due to recent revelations that have come to light" Binance would "liquidate" its holding of FTT tokens. Its position was thought to be around 5% of the total, worth **around \$580m** before the currency crashed.

In 2019, Binance had invested as a shareholder in FTX. It exited that shareholding last year and received \$2.1b in Binance's own stablecoin (BUSD) and in FTT tokens as part of the deal.

CZ  **Binance** 
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As part of Binance's exit from FTX equity last year, Binance received roughly \$2.1 billion USD equivalent in cash (BUSD and FTT). Due to recent revelations that have come to light, we have decided to liquidate any remaining FTT on our books. 1/4

7:47 AM · Nov 6, 2022



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As the consequences of the move rippled through the crypto industry, Zhao tweeted "We are not against anyone". But in the same post he added: "But we won't support people who lobby against other industry players behind their backs." A source close to Binance said there was no ill-intent towards FTX in the FTT sale.

This lobbying aside appeared to be a reference to Bankman-Fried, who had spent millions of dollars funding US Democrat politicians and lobbying for closer regulation of crypto trading in Washington.



Sam Bankman-Fried made multimillion-dollar political donations. Photograph: Saul Loeb/AFP/Getty Images

Monday 7 November

Bankman-Fried reacted to the weekend turmoil on Monday with his own series of tweets, alleging: “A competitor is trying to go after us with false rumours.” He added: “FTX is fine. Assets are fine.”

He didn’t identify who he was referring to. But he then tagged Zhao, who has committed \$500m of Binance’s money to helping Elon Musk buy Twitter, with a tweet in which he said: “I’d love it, @cz_binance, if we could work together for the ecosystem.”

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Tuesday 8 November

In an apparent cessation of hostilities, Zhao announced that Binance would buy FTX and rescue it.

“This afternoon, FTX asked for our help,” tweeted Zhao. “There is a significant liquidity crunch. To protect users, we signed a non-binding [letter of intent], intending to fully acquire FTX.com.”

Bankman-Fried confirmed the deal on Twitter: “Things have come full circle, and FTX.com’s first, and last, investors are the same: we have come to an agreement on a strategic transaction with Binance for FTX.com (pending DD etc).”

The DD - or due diligence - was going to be the most consequential phrase in that tweet.

Wednesday 9 November

As rumours grew of a hole in FTX’s balance sheet, Zhao suddenly pulled the plug and tipped Bankman-Fried’s enterprise into full-blown crisis. Having looked under the bonnet, Binance said it could no longer push ahead with the deal.

“In the beginning, our hope was to be able to support FTX’s customers to provide liquidity, but the issues are beyond our control or ability to help,” Binance said in a statement.

Zhao tweeted that it was a “sad day”.

CZ  **Binance** 
@cz_binance · [Follow](#)

Sad day. Tried, but 🥲

1:56 PM · Nov 9, 2022

 74.3K  Reply  Share

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Thursday 10 November

As FTX scrambled for a new white knight, Bankman-Fried returned to Twitter to state that he had “fucked up, and should have done better”. FTX’s future was now in serious doubt.

Friday 11 November

FTX filed for Chapter 11 bankruptcy protection in the US, in a move that included its US platform and Alameda. Bankman-Fried was replaced as chief executive by John Ray III, a turnaround and restructuring lawyer who worked on the liquidation of the collapsed energy giant Enron. Hours before the collapse was confirmed, Zhao warned the crypto market faced a 2008-style crisis with more failures to come. He told a conference in Indonesia that the global financial crisis was “probably an accurate analogy” to this week’s events, the **Financial Times** reported.

For his part, Bankman-Fried tried to stay positive. Announcing the bankruptcy on Twitter, he apologised again, saying: “Hopefully things can find a way to recover. Hopefully this can bring some amount of transparency, trust, and governance”.

I hope you appreciated this article. Before you move on, I wondered if you would consider taking the step of supporting the Guardian’s journalism.

With this year’s session coming to an end, the supreme court’s approval ratings are at record lows and its legitimacy is in crisis.

That should come as no surprise: a far-right movement has helped seat justices who have redefined public life through precedent-shattering decisions that most Americans do not support. In addition to taking away the right to abortion from half the country and ending affirmative action, the supreme court has enabled a deluge of money into politics, the proliferation of guns in public spaces, the gutting of environmental protections and more.

As recent revelations have made clear, some supreme court justices do not follow basic ethical standards, and an absence of limits on their power means they can operate, in many ways, above the law.

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